

Blueprint

Economic Opportunity Institute

The Case for Family Leave Insurance

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Key Findings

Family leave insurance offers a simple solution to one of the most important problems facing workers and businesses in Washington state. It provides a cost-effective way to help individuals balance their responsibilities to their jobs and **their** families while helping businesses remain competitive.

- ▶ Families benefit from family leave insurance by having the time and income to address serious medical conditions or welcome a new child without having a financial crisis.
- ▶ Businesses benefit from family leave insurance because employees who come to work sick and distracted cost businesses \$180 billion annually in lost productivity. With paid family leave, turnover and absenteeism go down as does the risk of spreading disease in the workplace.

Half of all workers have no sick leave. For low-income workers, who are least able to afford time off without pay, the situation is worse; almost three in four have no sick leave. Even people with paid leave benefits often run short when caring for a new baby or coping with a serious family illness.

Introduction

The Economic Opportunity Institute has taken a lead role in the Family Leave Coalition, a group of more than 35 organizations supporting family leave insurance in Washington state. This Blueprint summarizes current legislative proposals and the many benefits of family leave insurance for individuals, families, and businesses in Washington.

What Is Family Leave Insurance?

Current family leave insurance proposals would provide partial pay for workers when they must take leave for one of the following conditions:

- 1) To care for a newborn or newly placed adopted or foster child;
- 2) To care for a seriously ill family member; or
- 3) To recover from their own serious medical condition.

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Section I. Why family leave insurance? Why now?

Family leave insurance provides a safety net for workers who must take time off for a critical family need. Research supports the need for family leave insurance:

- ▶ 95% of fathers and 72% of mothers with children under 18 are in the workforce.
- ▶ 40% of workers provide care to an elderly parent or parent-in-law.
- ▶ At least 500,000 Washington workers receive no paid leave benefits. Workers earning less than \$25,000 annually or who are employed by smaller firms are especially unlikely to have paid leave.
- ▶ Workers with paid leave have, on average, two weeks of vacation available annually and a similar number of sick days. Annual paid leave allows workers to cope with routine medical needs but rarely is sufficient for the extended periods of time off required for a new baby or serious illness.
- ▶ Newborn children and newly placed children need time to bond with their parents. The first few weeks are especially important for children's healthy development.
- ▶ Children recover more quickly from illness; medical studies show that children's hospital stays are 31% shorter when a parent is present.
- ▶ Kids do better in school when their parents have paid leave to attend to their children's illnesses according to a Harvard University study.
- ▶ Businesses that provide flexible, paid

leave profit from lower turnover and training costs and from higher levels of morale, productivity, and customer satisfaction.

- ▶ Communities benefit with healthier children and families and with more economic stability when workers can care for their families and keep their jobs. Public costs go down when seniors can be cared for at home and workers are not forced on to public assistance by a family emergency.

Current laws don't go far enough

The majority of low-wage workers, part-time workers, and workers in small businesses in Washington have no paid leave. The federal Family and Medical Leave Act (FMLA) provides for up to 12 weeks off with job protection only for public employees and individuals in businesses with more than 50 workers, but it does not provide for wage replacement. Of individuals who needed family leave but did not take it, 78% said they couldn't afford it and 32% feared losing their jobs.

Washington's Family Care Act gives all workers with paid leave, including sick leave, vacation, or personal leave, the right to use that time for the care of a sick child, spouse, parent, parent-in-law, or grandparent. While the Family Care Act helps many Washington workers deal with routine family medical needs, it does nothing to help the more than half a million workers in the state with no paid leave. It also does little for those occasional times when workers need longer periods off work, such as for a new baby or serious illness.

“Patients often decline to take needed time off work to recover from illness ... They sometimes return to work while they are still contagious!”

“I have had several women go back to work as soon as 2 weeks post-delivery because they could not afford to take unpaid time off. They were not really physically recovered themselves, and had certainly not had time for adequate bonding with their newborns.”

***Dr. Anne Montgomery,
Washington Academy of Family Physicians***

What happens to workers when they can't take paid family leave?

- ▶ They lose their job if they must take time off to care for a sick or injured child.
- ▶ They lose their income while away from work.
- ▶ They are forced to borrow money or go on public assistance when a child, spouse, or parent needs help recovering from an illness or accident.
- ▶ They have an older child miss school to care for a younger child or ill adult.
- ▶ They leave a sick child or aging parent home alone.

What happens to businesses when workers can't take paid leave?

- ▶ Employees come to work sick, infecting co-workers and customers.

- ▶ Employees come to work distracted by a family medical crisis and diminish the productivity and morale in the entire workplace.

- ▶ Workers quit their job, resulting in high costs associated with hiring and training.

Business consultant Leigh Branham estimates that the cost associated with hiring and training a new employee is several thousands of dollars for a low-skilled employee and tens of thousands of dollars for higher level workers.

- ▶ Economists from the University of Chicago and the University of California estimate that employers in California will save \$89 million a year in turnover costs now that family leave insurance has been implemented in that state. ◀

In 2005, State Senator Karen Keiser and State Representative Mary Lou Dickerson will introduce bills into the Washington State Legislature that would extend job protections and provide partial wage replacement for workers on family leave.

Paid family leave would cover the following situations:

- 1) Workers caring for a newborn, newly adopted, or newly placed foster child;
- 2) Workers caring for a seriously ill child, spouse, domestic partner, parent, or parent-in-law.
- 3) Workers caring for their own serious health condition.

Benefits:

- 1) \$250 per week for up to five weeks for a full-time worker; a pro-rated wage benefit for part-time workers.
- 2) Job protection for up to five weeks.

The Economic Opportunity Institute estimates that thousands of people will benefit from family leave insurance:

- ▶ 40,000 parents caring for a new child
- ▶ 14,000 workers caring for a seriously ill spouse, parent, parent-in-law, child, or other family member
- ▶ 34,000 workers with a serious medical condition of their own

Section II. How family leave insurance works

Funding Family Leave Insurance

Workers and employers would each contribute 1-cent for every hour worked. The Family Leave Insurance Fund would be administered by the Washington State Department of Labor and Industries.

What does experience tell us about family-friendly work policies?

The federal Family and Medical Leave Act was passed in 1993 and was followed by eight years of strong economic growth. The vast majority of employers find FMLA easy to administer and 90% say it hasn't hurt profits.

A number of states have enacted legislation that expands leave for new parents, and several states, including Oregon, have extended FMLA protections to more workers.

For decades, five states (California, New York, New Jersey, Rhode Island, and

Hawaii) and Puerto Rico have had in place universal temporary disability insurance (TDI) programs for all workers. These programs provide paid leave for a worker's own illness or disability for up to 26 or 52 weeks, depending on the state. New birth mothers in these states typically take 6 to 12 weeks of paid maternity leave. Other states have enacted legislation that expands leave for new parents, and several states have extended FMLA protections to more workers.

In 2004, California became the first state with family leave insurance for all workers, providing additional paid time off for bonding with a new child or caring for an ill family member.

Washington's family leave insurance proposal is molded after these successful TDI and family leave programs that have covered one-fourth of the American workforce for decades. ◀◀◀

***“As an employer, it would be hard for me to pay when someone needs additional time to take a leave, but paying \$20 a year is certainly do-able. The issue is not one of finding a replacement -- employees and their bosses cover for each other during a medical or family emergency. The issue is helping to support families in times of crisis, making sure they have a job to come back to and are not thrown into economic crisis because they have a baby, are ill themselves, or have an elderly parent in need of care.*”**

“That’s why I support family leave insurance.”

***Barry Mendelsohn,
CEO, Specialized Prescription Services***